ALE PROPERTY GROUP

ANNUAL GENERAL MEETING 2011

CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.
Welcome to the 2011 Annual General Meeting of the ALE Property Group.

My name is Peter Warne and I will chair today's meeting.
It is now time to start our proceedings.
I am advised a quorum is present and I declare the meeting open.
The proceedings today will be as follows.

After my brief address, our Managing Director, Andrew Wilkinson, will provide his report and we will then move to the matters for decision by securityholders as set out in the Notice of Meeting.

The Market

Before making some comments on ALE I would like to start with a few brief comments on overall market conditions.

Investment markets around the world have continued to be quite volatile since the middle of 2010 driven primarily by events in the European and US economies. Equity markets first rallied by around 25%, and then proceeded to sell off by a similar amount. Government bond yields first moved higher and then rallied sharply and corporate bond yield moves were even more dramatic (or extreme).

Despite this difficult market environment the valuations of quality investment properties in Australia, especially those on long term leases to quality tenants remained very firm.

It was pleasing to see ALE's security price hold its value and spent most of FY11 within a very narrow price range of $1.85 to $2.00 per stapled security.

Capital Management

Before reporting on ALE's performance during FY11 I shall comment briefly on the successful completion of ALE's capital management plan.

I am pleased to report that, as foreshadowed at our last AGM, ALE has now successfully completed all the steps of its capital management plan which began in 2009. This plan has seen ALE raise funding over the past two years totalling around $500 million to meet its debt maturities in what at various times have been somewhat difficult market conditions. The final step was the refinancing of ALE's secured debt earlier this year of which Andrew will provide more details in his presentation shortly.

It was indeed fortuitous that the refinancing was completed in a market window that not only allowed ALE to take advantage of a relative low point in market yields, but also allowed ALE to maximise the low cost of the maturing debt and to keep in place as part of the new financing the very low cost and long term financing that was part of the maturing 2006 senior debt issue.

As a final step, in September 2011 ALE fully redeemed the remaining $72 million of ALE Notes issued back in 2003. This redemption was fully funded from available cash balances.

Over the past two years the various capital initiatives have reduced net gearing from around 68% to 52% and increased the average term of our debt to 7.3 years.

In essence, ALE's capital structure has been almost totally reconstructed over the past two years. It is on this strong capital foundation that ALE can now move forward with confidence.

I now turn to some specific comments on ALE's performance during the past financial year.

ALE Performance in FY11

First, I am pleased to report that ALE delivered solid results for the 2011 financial year.

Once again ALE lived up to its reputation as one of the best performing Real Estate Investment Trusts in the Australian market over the eight years since our initial listing on the ASX on the 12th of November 2003.

ALE's operating expenses remained at one of the lowest levels of any Australian real estate trust sector and cash interest expenses of $20.1 million remained in line with the prior year result.

As a result, the Distributable Profit for the year of $31.2 million exceeded guidance provided by the Board in February 2011 by 7.8%. The full year distribution payments of 19.75 cents per security represents 99.4% of the Distributable Profit and was consistent with the Board's policy of setting distributions at a level that does not exceed available free cash flow.

Over the year to June 2011, the value of ALE's properties further increased. During the year we sought independent revaluations of a representative sample of the 87 properties to verify valuations. The results showed an increase of more than 6% due to rental increases and stronger average capitalisation rates across the properties. This outcome was independently assessed to be attributable to the high quality of the properties' long leases and our sole tenant, ALH who continues to enjoy success as Australia's leading pub operator and liquor retailer.

Our tenant continues to trade very profitably despite the problems in some other parts of the pub sector which we often see reported in the press. Our tenant also continues to invest in our properties via renovation such as that at the New Brighton Hotel at Manly and the construction of new Dan Murphy retailing facilities at several of our sites.

Corporate Governance

Consistent with our existing policy of conducting an independent performance review every three years, ALE's Board and the Audit, Compliance and Risk Management Committee are again having that review conducted to ensure that the increasingly higher levels of best practice continue to be met and that through constructive criticism and review our processes can be improved where possible. The review, conducted amongst your directors and management, is covering all of our governance functions to ensure that they are operating effectively and to ensure that the appropriate skills and experience are held by the directors to properly oversee the Group.

The Board met a total of 17 times during the year, significantly more often than would be expected for an organisation of this size. This reflected the significant volume of capital management activities undertaken and was in addition to various other committee meetings.

I would like to take this opportunity to extend my thanks to my colleagues on the Board and various committees for maintaining these high standards of governance through a year that has required a significantly increased workload.

In line with current corporate governance practice and as announced at last year's AGM, the Board has, through its Nominations Committee, continued to plan the process by which new directors will be identified, selected and appointed to your Board. This is an important part of the process of Board renewal.

As you are aware, the existing Board was appointed when ALE was first listed in 2003. Each of the existing Board members has now had eight years' service. It is generally considered best practice that non-executive directors are appointed for no more than 10 to 12 years. Therefore over the next few years we will be looking for opportunities for each of the non-executive directors to retire and be replaced in an orderly manner so as to maintain an appropriate amount of experience, corporate memory and institutional knowledge on the Board at all times. As each appropriate new director is identified an announcement will be made to the market and appropriate Securityholder approvals will be sought at future meetings.

This process has not proceeded as quickly as I had initially expected over the last 12 months due to the length of time it took to complete the refinancing.

During the year the Remuneration Committee obtained independent advice concerning the appropriate levels of remuneration for both directors and management. The changes that resulted from the advice received were implemented at the annual review date of 1 January 2011.

The Remuneration Committee had also come to the view that the Long Term Incentive Scheme was not working as efficiently as expected. The Committee obtained independent advice regarding possible changes and/or improvements to the scheme. The proposed changes to the Scheme, unanimously supported by the non-executive Board members, are the subject of a resolution later in this meeting.

This year John Henderson retires by rotation and offers himself for re-election with the unanimous support of the Board. John has been a very effective Director since his appointment in 2003 and, subject to your vote; we look forward to his continued contribution.

ALE has a small but effective management team and accordingly it is essential that Board and management have a sound working relationship. I am pleased to say that all members of Andrew's team have worked hard to complete the capital management plan during the past year in addition to the normal day-to-day operations. The CMBS refinancing and a number of other initiatives proceeded very well.

On behalf of the Board, I extend my thanks to the management team for their dedication and extra efforts to complete each of the key initiatives successfully.

I would also like to again express thanks to David Lawler, the independent member of the Audit, Compliance and Risk Management Committee, and Graeme MacLaren, the independent director for our financing subsidiary, for the skill, experience and diligence they each bring to their roles.

Vale Hotel Matter

At last year's AGM I again mentioned that in December 2009 the Supreme Court of Victoria found in ALE's favour on all issues with respect to the matter between ALE and ALH concerning the interpretation of the ALH lease as it relates to the development of vacant land adjacent to the Vale Hotel in Melbourne and the determination of market rent.

In April 2010 the finalised judgement also awarded costs in ALE's favour. ALH elected to have the matter heard in the Victorian Court of Appeal. The appeal was heard in August 2011 and the final judgment, currently reserved, is expected imminently. While ALE remains confident of its position, securityholders will be advised immediately of the outcome of the appeal hearing.

Moving Forward

The Board believes that ALE's business strategy and financial position are now on a very sound footing following the completion of the capital management plan.

Today, ALE owns 87 high quality hotels and enjoys a gearing level which credit markets and financiers consider appropriate for the quality of assets we hold in the "new normal" capital markets we all now experience.

The Board's current view is that, while we remain interested in identifying attractive opportunities in the market, acquisitions are considered unlikely to provide the necessary accretion given the current costs of capital required by the funding markets. Optimisation of the existing portfolio, a review of the hedging arrangements and any new capital management initiatives will remain ALE's key priorities in these current market conditions.

Outlook

Consistent with previous Board guidance, the increased cost of debt has a direct bearing on the quantum of distributable profit available. In summary, the higher the cost of our debt, the lower the distributable profit. ALE has consistently stated that it would seek to distribute up to 100% of distributable profit having regard to the level of distributions that may be maintained in future periods including the impacts arising from the credit margins applicable to the refinancing of the 2011 debt maturities. Consistent with the guidance provided at last year's Annual General Meeting, the Board's distribution guidance for the 2012 financial year is at least 16.0 cents per security, being the first full year following the complete debt refinancing. This is lower than last year's distributable profit, primarily due to the impact of the higher debt margins. The distribution for the half year ending 31

December 2011 is expected to be at least 8.0 cents per security and 70% tax deferred.

The Board and Management will continue to closely monitor all developments in the capital, credit and property markets. ALE enjoys a wide range of excellent relationships with financiers and advisers, as has been evidenced at each step in the capital management plan over the past two years.

In closing, may I again thank my fellow members of ALE's Board, Andrew, and all his management team for their dedication and hard work. Let me also thank you, our investors, for your ongoing loyalty and support as we have addressed the changed market environment over the past few years.

- Ends -

Peter Warne
Chairman
November 2011